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CFEP Briefing

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- A. Typical of flexibility Bloc strategy, consistent Communist ideology, undertake when a revolution economic and political attitudes considerable headway in former colonial territories.
1. Belief poverty inevitable is giving way.
  2. These countries, infatuated by independence determined develop into economically strong nations.
- B. Communist powers always emphasized opportunities for development in colonial territories.
1. More recently, sought with increasing vigor exploit nationalism and ambitious for economic progress.
    - a. Last three years USSR sufficiently secure militarily, politically and economically, offer economic assistance and trade but also to supply military goods.
    - b. Along with these tangible exports, a large volume of propaganda insisting that the Soviet model must be followed in order to achieve rapid economic growth.

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New phase of Bloc economic diplomacy important and integral part of its overall foreign policy.

- a. Soviet theme of competitive coexistence intended create impression USSR bent on avoiding general war.
  - (1) Economic offensive supports coexistence theme, making more believable peaceful protestations Soviet Union.
  - (2) Economic offensive encourage underdeveloped countries draw away Western influences, thus expand the areas of neutralism and of direct Communist political influence.

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(3) Long run, economic offensive designed promote advantage Communist economic organization, encourage under-developed countries industrialize along lines Soviet Union.

b. Rapid Soviet economic growth, development great military strength, given USSR assets and flexibility for economic and technical assistance, commands world attention.

(1) USSR has already given Satellites and China more than \$2.5 billion, has promised about \$400 million additional aid for 1957.

(2) Provided at least \$100 million to the underdeveloped countries of the Free World in 1956, committed to approximately \$200 million in aid during 1957.

(3) Although aid program large, Soviet economy capable supporting much larger program.

C. .... Quarterly Report I sent to you a short time ago, data on the magnitude and general characteristics economic offensive. Emphasize again pattern followed.

1. Distribution of credits.

a. India, Yugoslavia, and Afghanistan, countries lying in close proximity to Bloc territories.

b. Syria and Egypt eager to flaunt Western powers.

c. All neutral countries.

d. Implementation rapid; by end 1957 nearly one-half credits drawn.

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2. Flow of technicians follows pattern credit distribution.  
Exception Yugoslavia
3. Tremendous expansion trade, distribution expansion
  - a. Not revealed in the chart, close relationship Soviet trade and credit programs. Trade almost doubled past three years.
  - b. Although USSR increased purchases raw materials major part increase trade exports to India, Yugoslavia and Egypt.
    - (1) Large shipments wheat and oil to Egypt.
    - (2) Soviet shipments India Yugoslavia increased primarily result large credits.
    - (3) Except relief goods, major stimulus significant increases Soviet exports, Soviet credit. Expansion Soviet imports also consequence credit extensions.
- D. Economic offensive single aspect Bloc foreign policy, consequences difficult distinguish total picture.
  1. Clear, Bloc has some success solidifying neutralist sentiment many underdeveloped countries, considerable success strengthening anti-Western passions in Egypt and Syria.
    - a. Egypt and Syria, played on spirit nationalism nurtured atmosphere antipathy former colonial powers.
      - (1) These countries embroiled dispute Israel, major most rewarding approach, military assistance.
        - (a) Not possible stabilize conditions Middle East
        - (b) Anti-Western sentiment grown prestige Soviet Soviet Union increased.

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- (2) More recently Soviet Union and Czechoslovakia cultivating opportune situation Yemen.
  - (a) Border and other grievances against British control Aden.
    - (i) Bloc arms shipped Yemen made possible harrassment British troops.
    - (ii) Military movements Yemen annoying rather than menacing.
  - (b) However, conflict could have repercussions Western relations other Arab states, reminder smouldering grievances against West.
- b. Even areas Bloc successes lose spectacular many uncommitted countries believe neutralist policies vindicated, convinced collective security arrangements sponsored West unnecessary.
  - (1) Neutralist sentiment strengthened some measure India, Ceylon, Burma, Cambodia, Indonesia, and Afghanistan.
  - (2) Psychological impact Bloc assistance bolstered impression independence strengthened faith neutralist policy.
    - (i) Example, Indian leaders pleased choose between United Kingdom and Soviet plans development heavy industry.
    - (ii) Typical neutralist Indian thinking adopt portions each plan.

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- c. Technique of great appeal to Bloc emphasis agreements ostensibly free political strings.
  - (1) Although approaches sometimes associated diplomatic recognition, as far as is known, Bloc not explicitly require specific political or military commitments
  - (2) Doubtless intended contrast Western terms.
  - (3) Advantages demonstrated, Afghan and Burmese leaders, expressed liking dealing Soviets, ground not join military alliances, agree openly support Soviet political objectives.
- d. Many Bloc projects showcase type, seem intended attract public eye, not advance economy underdeveloped country.
  - (1) Sports palace, Burma.
  - (2) Other projects, other countries, steel mill India, grain-bakery complex Afghanistan.
  - (3) Many leaders underdeveloped countries comment Soviet Union not argue economic merits proposal, Western countries do.
    - (a) May boomerang, so far paid off satisfaction those inclined neutralism.
    - (b) Feel USSR allows develop economies as they wish; on other hand suspect Western countries refuse undertake popular uneconomic projects, interfering internal affairs.

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- e. Adroit maneuvers, Bloc able take advantage situations as develop.
  - (1) USSR exploited atmosphere Ghana.
  - (2) Order Sudanese <sup>cotton</sup> ~~action~~, when sales lagging.
  - (3) When Iceland considering purchase fishing vessels, USSR offered \$3.5 million credit finance Icelandic purchases East German ships.
    - (a) In this case Soviet Union willing funds buy components UK West Germany.
    - (b) If accepted first acceptance Soviet aid NATO member.
- f. Soviet program flexible take advantage adverse.
  - (1) When Burma objected barter agreement working, Soviet Union agreed trilateral arrangement, Burma obtained Czech products with Soviet money.
  - (2) Burma discovered could increase sales rice cash customers, USSR agreed reduction shipment Soviet Union.
  - (3) Relief Soviet Union deals fairly indelibly impressed Burmese mind.
- g. Ostensibly providing assistance without strings appeal neutralist sentiments, Bloc laying groundwork possible patterning economic life underdeveloped countries after Soviet Union.
  - (1) Widespread respect, particularly in Asia, Soviet success rapid industrialization.
    - (a) Even those dislike Communist political, often feeling Communist economic models offer more relevant solutions problems than Western free enterprise or mixed economies.

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(2) Expanded economic relations enhanced receptivity.

- (a) Contacts Bloc economic advisors, technical experts familiarized engineers, economists and industrialists underdeveloped countries Bloc products, techniques, to some extent, economic institutions.
- (b) Business, government leaders, India and Afghanistan favorably impressed.
- (c) Consequently inclined sympathy proposals further expand economic ties Bloc, approach less prejudice proposals adoption institutions copies Communist countries.

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2. Although Bloc successful fomenting anti-Western sentiment neutrals Syria Egypt, solidified neutralist sentiment such countries India, Afghanistan and Indonesia, failed achieve some major objectives.

a. Overtures Turkey, Pakistan Iran made purpose disrupting Western alliances.

(1) None these countries have taken bait.

(2) Although used Bloc offers enhance bargaining positions West, allegiance West not shaken.

b. Furthermore, some neutralist mainly these Africa for moment rebuffed Soviet overtures.

c. So far most dramatic failure Bloc in Yugoslavia.

(1) In spite economic assistance nearly one-half billion dollars agreements carried out, Tito attempted undercut USSR Communist party politicking.

(a) Consequently Soviet Union withdraw for time being much premised support.

(b) Although relationship USSR Yugoslavia improved recent weeks atmosphere still far from cordial.

(2) Seems clear Tito while anxious obtain Soviet assistance probably attempt follow relatively independent course.

3. Bloc's use economic offensive gain intelligence objectives, subversion and collection of information.

a. Bloc generally not use technical experts subversive purposes. Conforms Bloc objectives.

(1) Impress local leaders peaceful intentions, USSR and Satellites send well trained technical experts circumspect behaviour.

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(2) 22 Soviet agricultural advisors Burma performed skillfully  
Burmese government extended contract year.

(3) Technical experts India and Afghanistan, also well trained  
suited perform assigned tasks, not engaged subversive activity.

b. Not apply Bloc experts all countries. Syria subversion important  
activities Bloc personnel.

c. Isolated instances economic offensive used cover collection  
security information.

(1) Recently USSR purchased Cuban sugar.

(2) Czechoslovakia interest promoting sales telephone equipment.  
Underbid Western firms Montevideo and Athens, as much as 40 percent.

(a) Uruguayan Government warned security risk, steps taken  
to make impossible Iron Curtain get contract.

(b) Greek Government also informed danger, as far as we  
know Czech bid still stands.

(3) Intelligence military importance acquired conducting surveys.

(a) East Germans surveyed portion Sudan.

(b) Soviet Union mapped practically all Northern Afghanistan.

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E. Anticipate continuation Bloc economic diplomacy Near East and Asia where Bloc prestige, influence already increased.

(1) Although few new credits last eight months, slowdown not result shift policy.

(a) Uncommitted countries willing accept Communist credits already received sizeable amounts, many countries allied with West unwilling take significant Bloc credits.

(b) Recent probings new outlets few rewarding opportunities.

(c) In view growing demands within Soviet and Satellite economies Bloc leaders careful allocating additional resources outside Bloc; however, emergence opportunities achieve important political benefits almost certainly prompt credit offers.

(2) Serious attempts probably made tempt Iran, Greece, and most particularly Iceland, loosen ties West.

(3) Believe Bloc contemplating move Africa until now largely ignored.

(a) Preliminary steps already taken that direction.

(b) Ghana, Tunisia, Morocco, Liberia recently received attractive offers USSR, offers, though rejected, may be followed specific inducements these countries may find difficult ignore.

(4) Bloc economic diplomacy substantially increased Bloc prestige influence all parts underdeveloped areas Free World; made possible Soviet entrance crucial force Eastern Mediterranean; sustained neutralist sentiment Middle East and Africa. In view apparent success economic offensive, anticipate will continue as important integral part Soviet foreign policy.

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